The Rosemere Golf Course Project:
The impact of 630 new dwellings on the Town's operating expenses.
Report no. 3 – response to the Town of Rosemere

While we are not shown any detailed calculations to back up the Town's surprising assertion that an increase in population of 13 per cent will only result in an increase in its operating costs of 3 per cent, we now know that they are using the accounting concept of "marginal cost" to arrive at that extremely low number.[1] Under that concept, there are "fixed" costs that stay, ah, fixed, and "variable" costs that increase with increasing output to meet demand. This traditional accounting technique of distinguishing fixed from variable costs originated in the manufacturing sector.

Put another way, the Town is claiming that such a derisory increase in costs relative to demand is thanks to economies of scale.

With the exception of regional facilities that produce potable water and treat wastewater – which activities are usually invoiced by real estate value, not consumption – other municipal costs are related to services, not products. A municipality, especially for its local costs, is in the service business, not in the manufacturing business. In that regard, it has a lot in common with hospitals, schools, and even activities like providing legal services. (For example, a 10-bed increase to a full 100-bed hospital will increase operating costs – doctors, nurses, drugs, equipment, depreciation – by nearly 10 per cent.)

In fact, if Quebec's forced municipal merger fiasco proved anything, it's that there are always *dis*economies of scale in the municipal field. More populous municipalities cost more to operate per capita than those with fewer residents – a fact that the government was aware of at the time; but for ideological reasons they still went ahead with mergers.

All this means that most – if not all – local municipal costs are variable; they vary with the number of residents. It's just that some costs such as capital expenditures, grow in a stepwise manner. For example, if you have one fully-used indoor hockey rink, with a population increase, you have to live with turning away players until the population grows to the point that you can justify building a second rink. Then the municipality's rink costs *double* – both in capital investment and in operating staff. The same applies to a pool, a library, and so forth.

Other, non-capital, costs – such as issuing building permits – have a smoother relationship between added demand and added costs.

[1] Mayor Westram of Rosemere, Nord Info 14 July 2021

The Town spends $24.3 million a year for local costs, 39% of which amount is for staff, 39% for goods and services, 4% for interest, and 18% for depreciation. [2] So nearly 80 per cent of costs relate to non-capital expenditures anyway.

But Rosemere tells us that an increase in residents will have “no impact” on the cost of operating, for example, the Town Hall. Really? I presume by “Town Hall” they include finance and general administration services. Are we to believe the Finance Department can handle a 13 per cent increase in processing the number of tax bills, fines, and so on without adding staff? Are they currently underworked, then?

One thing is sure: over the long haul, an increase in population will result in an equivalent increase in spending. By declaring that most of their costs are fixed, the Town of Rosemere is claiming an increase in population will not result in an increase in costs of the same magnitude. As I have pointed out elsewhere, Rosemere’s relying on such a fiction leads to the untenable conclusion that, say, a doubling of their population will only result in a minor increase in costs.

Peter F. Trent, 18 July 2021

[2] Page 29 of the 2020 Financial Statements of the Town of Rosemere.